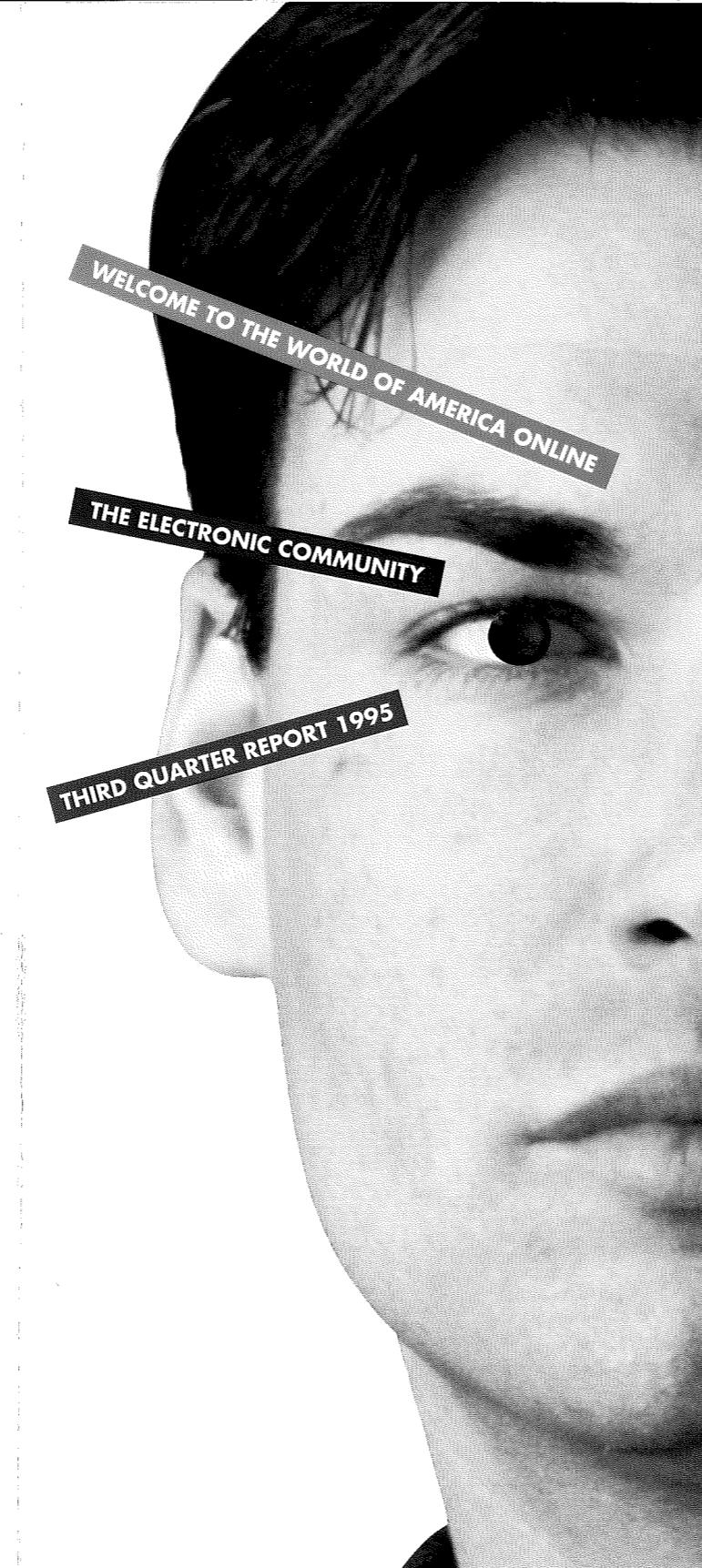




AMERICA ONLINE  
INCORPORATED

America Online, Inc.  
8619 Westwood Center Drive  
Vienna, Virginia 22182  
703-448-8700



## Third Quarter Report

Dear Stockholder:

We're pleased to report record results for the third quarter of fiscal year 1995. Total revenues for the quarter ended March 31, 1995 more than tripled to \$106,414,000, from \$31,689,000 in fiscal 1994's third quarter. The Company's subscriber base also tripled to 2,313,000 members, up from 713,000 at March 31, 1994. Since that time the company has announced that it surpassed the 3 million member mark, reflecting continued momentum in the market for interactive services.

Excluding special costs, AOL quadrupled net earnings to \$5.1 million, or the equivalent of \$0.12 per share, in the third quarter, despite net losses of approximately \$1.6 million from its new subsidiaries and its recently launched 2Market, Inc. interactive shopping joint venture. In the same quarter a year ago, the Company earned \$1,272,000, or \$0.03 per share. Earnings per share calculations reflect two previous two-for-one stock splits over the past year.

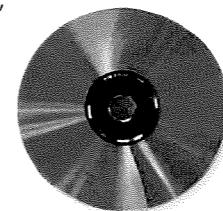
With the latest quarter's special costs, which represent approximately \$7.6 million of acquired research and development and about \$300,000 in after tax amortization expense, AOL reported a loss of \$2,817,000, or \$0.08 per share. These charges include the remaining write-off of acquired in process research and development relating to the approximately \$50 million acquisition of BookLink Technologies, Inc. and NaviSoft, Inc. in the second quarter.

The March quarter was filled with corporate and brand activities aimed at

solidifying a leadership position for AOL in the worldwide market for interactive services. In January we announced a joint venture with Bertelsmann, AG, one of the world's largest media companies, to offer interactive services in Western and Eastern Europe, with the first services expected to launch later this year in Germany, France and the United Kingdom. In addition, several new alliances and unique content areas were announced during the period. The company unveiled the first selected participants of the Greenhouse Program, a program specifically designed for entrepreneurs to create unique online

content and new interactive services for America Online and the Internet.

New Line Television and AOL announced that they joined forces to develop "The Hub," a unique online source for entertainment, interaction, and information

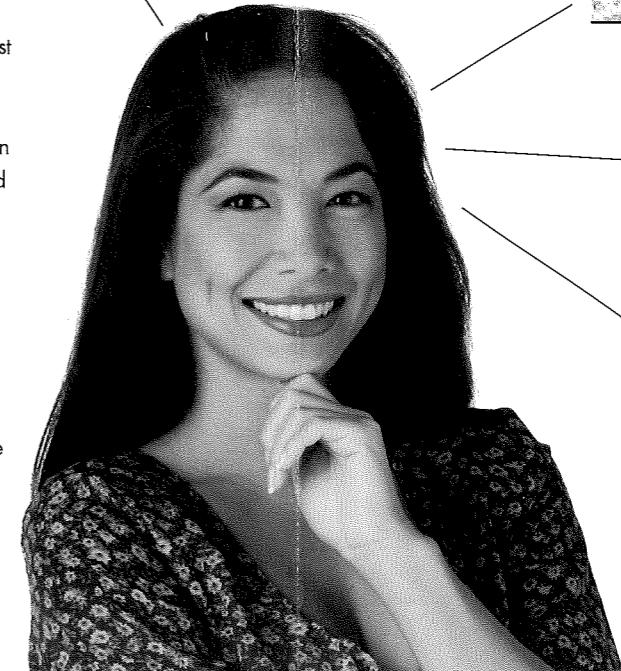
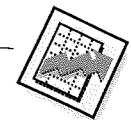


targeted towards young adults. AOL and American Express have teamed up to provide ExpressNet, offering a broad array of cardmember and travel services. In addition the company added several new content areas ranging from a Tax Forum to the new "Sunday Funnies LIVE" series featuring appearances by cartoonists and their characters.

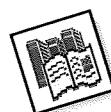
The coming months are going to be exciting and eventful for AOL and our subscribers, as we continue working to leverage our rapidly growing subscriber base and consumerize the Internet, provide higher speed and wider access to our service, and develop new revenue streams.

*Stephen M. Case* *James V. Kimsey*  
Stephen M. Case  
President & CEO  
James V. Kimsey  
Chairman

**NEWS STAND**



## Consolidated Condensed Statements of Income (Unaudited)



(Amounts in thousands except per share data)

	Three months ended March 31, 1995		Nine months ended March 31, 1995	
	1995	1994	1995	1994
<b>Revenues:</b>				
Online service revenues	<b>\$ 99,814</b>	\$ 28,853	<b>\$ 219,582</b>	\$ 63,444
Other revenues	<b>6,600</b>	2,836	<b>15,253</b>	11,855
Total revenues	<b>106,414</b>	31,689	<b>234,835</b>	75,299
<b>Costs and expenses:</b>				
Cost of revenues	<b>65,100</b>	18,829	<b>138,561</b>	44,654
Marketing	<b>19,642</b>	6,326	<b>46,530</b>	14,995
Product development	<b>3,453</b>	1,190	<b>8,587</b>	3,276
General and administrative	<b>10,297</b>	3,413	<b>21,985</b>	9,392
Acquired research and development	<b>7,550</b>	-	<b>50,335</b>	-
Amortization of goodwill	<b>551</b>	-	<b>551</b>	-
Total costs and expenses	<b>106,593</b>	29,758	<b>266,549</b>	72,317
<b>Income (loss) from operations</b>	<b>(179)</b>	1,931	<b>(31,714)</b>	2,982
<b>Other income</b>	<b>814</b>	463	<b>2,252</b>	1,180
<b>Merger expenses</b>	<b>-</b>	-	<b>(1,710)</b>	-
<b>Income (loss) before provision for income taxes</b>	<b>635</b>	2,394	<b>(31,172)</b>	4,162
<b>Provision for income taxes</b>	<b>(3,452)</b>	(1,122)	<b>(9,360)</b>	(2,517)
<b>Net income (loss)</b>	<b>\$ (2,817)</b>	\$ 1,272	<b>\$ (40,532)</b>	\$ 1,645
Earnings (loss) per share:				
Primary	\$ (0.08)	\$ 0.03	\$ (1.27)	\$ .05
Fully diluted	\$ (0.08)	\$ 0.03	\$ (1.27)	\$ .05
Weighted average shares outstanding:				
Primary	33,622	36,600	31,891	33,022
Fully diluted	33,622	36,740	31,891	33,632

## Consolidated Condensed Balance Sheets (Unaudited)



(Amounts in thousands)

	MARCH 31, 1995	JUNE 30, 1994
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	<b>\$ 14,908</b>	\$ 43,891
Short-term investments	<b>24,760</b>	24,052
Trade accounts receivable	<b>20,760</b>	8,547
Receivables from affiliate	<b>2,716</b>	1,466
Other receivables	<b>9,440</b>	570
Prepaid expenses and other current assets	<b>18,723</b>	5,753
Deferred subscriber acquisition costs	<b>53,014</b>	25,459
Total current assets	<b>144,321</b>	109,738
<b>Property and equipment at cost, net</b>	<b>54,536</b>	20,306
<b>Other assets:</b>		
Product development costs, net	<b>12,885</b>	7,912
Deferred subscriber acquisition costs	<b>968</b>	933
License rights, net	<b>1,119</b>	53
Other assets	<b>5,801</b>	2,800
Deferred income taxes	<b>24,945</b>	12,842
Goodwill, net	<b>43,517</b>	-
	<b>\$288,092</b>	\$154,584
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable	<b>\$ 65,612</b>	\$ 15,642
Accrued personnel costs	<b>1,712</b>	896
Other accrued expenses and liabilities	<b>18,405</b>	13,076
Deferred revenue	<b>17,185</b>	4,488
Deferred income taxes	<b>19,849</b>	9,610
Notes payable	<b>719</b>	253
Revolving line of credit	<b>-</b>	1,690
Current portion of long-term debt and capital lease obligations	<b>1,327</b>	344
Total current liabilities	<b>124,809</b>	45,999
<b>Long-term liabilities:</b>		
Notes payable	<b>17,462</b>	5,836
Capital lease obligations	<b>2,265</b>	1,179
Deferred income taxes	<b>5,096</b>	3,232
Deferred rent	<b>31</b>	41
Total liabilities	<b>149,663</b>	56,287
<b>Total stockholders' equity</b>	<b>138,429</b>	98,297
	<b>\$288,092</b>	\$154,584